

SUBJECT: Making a one-time supplemental payment to retired educators

COMMITTEE: Appropriations — favorable, without amendment

VOTE: 22 ayes — Bonnen, M. González, Ashby, C. Bell, Capriglione, Dean, Dominguez, Gates, Holland, Howard, A. Johnson, Julie Johnson, Morrison, Raney, Rose, Schaefer, Stucky, E. Thompson, VanDeaver, Walle, Wilson, Zwiener

0 nays

5 absent — Jarvis Johnson, Minjarez, Sherman, Toth, Wu

SENATE VOTE: On final passage, August 9 — 29-0

WITNESSES: For — Timothy Lee, Texas Retired Teachers Association; Monty Exter, The Association of Texas Professional Educators; Craig Campbell; (*Registered, but did not testify:* Kevin Stewart, American Association of University Women of Texas; Eva DeLuna Castro, Every Texan; Dena Donaldson, Texas American Federation of Teachers; Ann Fickel, Texas Classroom Teachers Association; Laura Atlas Kravitz, Texas State Teachers Association; Ash Hall; Thomas Parkinson)

Against — None

On — (*Registered, but did not testify:* Brian Guthrie, Teacher Retirement System of Texas)

BACKGROUND: Government Code sec. 821.006 prohibits certain actions, including a new monetary benefit payable by the Teacher Retirement System of Texas, if the action would increase the time required to amortize the unfunded actuarial liabilities of the retirement system to a period that exceeds 30 years by one or more years, as determined by an actuarial valuation.

DIGEST: SB 7 would require the Teacher Retirement System of Texas (TRS) to make a one-time supplemental payment of a retirement or death benefit to

certain retirees. TRS would be required to make a supplemental payment only if there was a sufficient legislative appropriation.

The supplemental payment would be equal to the lesser of:

- the gross amount of the regular annuity payment to which the eligible annuitant was otherwise entitled for the calendar month immediately prior to the calendar month in which TRS issued the one-time supplemental payment; or
- \$2,400.

The supplemental payment would be payable not later than January 2022 and, to the extent practicable, on a date or dates that coincided with the regular annuity payment payable to each eligible annuitant. The supplemental payment would be payable without regard to any forfeiture of benefits due to the resumption of service and would require TRS to make applicable tax withholding and other legally required deductions from the payment.

An annuitant would be eligible to receive the one-time supplemental payment if, for the calendar month immediately prior to the calendar month in which TRS issued the payment, the annuitant was eligible to receive:

- a standard retirement annuity payment;
- an optional retirement annuity payment as either a retiree or beneficiary;
- a life annuity payment received by the designated beneficiary of an active TRS member who died;
- an annuity for a guaranteed period of 60 months received by the designated beneficiary of a member who died; or
- an alternate payee annuity payment in lieu of benefits awarded by qualified domestic relations order.

If the annuitant was a retiree or a beneficiary under an optional retirement payment plan, to be eligible for the supplemental payment, the effective

date of the retirement of the TRS member would have to have been on or before December 31, 2020. If the annuitant was a beneficiary of an active member who died, the date of death of the TRS member would have to have been on or before December 31, 2020. If the annuitant was an alternate payee under a qualified domestic relations order, the annuity payment to the alternate payee would have to have commenced on or before December 31, 2020.

The supplemental payment would not apply to:

- disability retirees with less than 10 years of service credit;
- deferred retirement option plan with regard to payments from their plan accounts;
- retiree survivor beneficiaries who receive a survivor annuity in an amount fixed by statute; or
- active member survivor beneficiaries who receive a survivor annuity in an amount fixed by statute.

The TRS Board of Trustees would have to determine the eligibility for and the amount and timing of a supplemental payment and the manner in which the payment was made.

The bill would take immediate effect if finally passed by a two-thirds record vote of the membership of each house. Otherwise, it would take effect on the 91st day after the last day of the legislative session.

**SUPPORTERS
SAY:**

SB 7 would boost the retirement benefits for retired teachers and other school employees by providing a one-time supplemental payment. This "13th check" of up to \$2,400 would help retired educators, most of whom do not receive Social Security, pay their bills. Teachers dedicated their careers to making a difference in the lives of their students and this extra payment would recognize their hard work.

The Legislature in 2019 made contribution increases and other changes to improve the stability of the Teacher Retirement System of Texas (TRS), which now has a funding period of 26 years and is considered actuarially

sound. This would be the second 13th check in three years for most TRS retirees and represents a significant boost to their benefits. The supplemental payment would be made only if the Legislature makes a sufficient appropriation, and a proposal to use general revenue to fund the \$701.1 million cost of the 13th check would preserve the TRS pension fund from any actuarial impact.

Some have called for a permanent cost-of-living adjustment to TRS retiree benefits, and a COLA could be considered in future legislative sessions. The 13th check would provide funds to help retired school employees now, while a COLA would be paid out over time. The amount required for a 6 percent COLA would be \$3.6 billion if paid for up front and more than \$18 billion if it was financed through the pension fund. It would not be financially prudent at this time to require a COLA, especially if it would negatively impact the actuarial soundness of the pension fund.

CRITICS
SAY:

While SB 7 would represent an important financial benefit for TRS retirees, instead of the one-time supplemental payment, the Legislature instead should consider providing retired educators with a permanent cost-of-living increase. Teacher retirees have not received a COLA since 2013 when members who retired before September 1, 2004, received a 3 percent COLA that was financed through the pension fund. At a time when the Legislature is considering spending billions of dollars for border security, the state has sufficient funds to give teachers the COLA they deserve.

NOTES:

According to the Legislative Budget Board, the bill would have a negative impact of \$701.1 million to general revenue through fiscal 2023. CSHB 5 by Bonnen, which was reported favorably as substituted from the House Appropriations Committee on August 24, would appropriate \$701.1 million in general revenue for the one-time supplemental payment to retired educators, contingent on enactment of SB 7 or similar legislation.